

**MINUTES  
OF THE  
HISTORIC PRESERVATION ADVISORY COMMITTEE (HPAC)  
OF  
ARIZONA STATE PARKS  
MEETING OF March 31, 2008  
1300 W. Washington St.  
Phoenix, AZ**

**A. CALL TO ORDER AND ROLL CALL**

Chair Thorne called the meeting to order at 10:05am.

Committee Members Present:	Winston Thorne, Chair Tess Nesser Vice-Chair Joe Nucci Bonnie Bariola Charles Ebner
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Committee Members Absent:	Tami Ryall
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Arizona State Parks Staff Present:	Jay Ream, Assistant Director, Arizona State Parks (ASP) Mark Siegwarth, Assistant Director, Administration Doris Pulsifer, Chief of Grants Vivia Strang, Historic Preservation Grants Consultant Pat Dutrack, Grants Coordinator Ray Warriner, ASP Jim Garrison, State Historic Preservation Office (SHPO) Bill Collins, SHPO Eric Vondy, SHPO Ruth Shulman, Advisory Group Coordinator
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Guest:	Victor Linoff
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**B. INTRODUCTION OF MEMBERS AND STAFF**

Members and Staff introduced themselves.

**C. ACTION ITEMS**

**1. Picket Post House Update and Discussion**

Chair Thorne opened the discussion by asking Ms. Pulsifer for any updates on the topic since the March 17, 2008 meeting of HPAC at which this subject was first discussed. Ms. Pulsifer said that the Arizona Outdoor Recreation Coordinating Commission (AORCC) had met and voted unanimously to recommend the purchase of the Picket Post House with the financing option presented by Mr. Ream to the ASP Board.

Chair Thorne then invited Mr. Ream to make the presentation to HPAC via the original PowerPoint. He began by noting that the Arboretum is a state park operated under a tripartite agreement among Arizona State Parks, the University of Arizona (UofA), and Boyce Thompson Inc (BTI). Mr. Ream said that the Picket Post House property has been on the Arizona State

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Park's acquisition list for almost 20 years. In the early 1980's the Arizona Legislature appropriated funds for the purchase, however those moneys went toward purchasing what is now Slide Rock State Park. At that time, the purchase price was set much higher than the appraised value of the property. However, they have recently offered a purchase price much more in line with the appraised value.

Colonel William Boyce Thompson built the house 1923-1928 so that he could view his growing botanical gardens, which were built by professional botanists and curators. The Arboretum sold the Picket Post House in 1949. The property consists of 32.9 acres. The Rose Family is offering the property at \$3.7 million, and ASP recently appraised the property at \$2.8 million. There is an additional appraisal showing a value of \$3 million structured over a multi-year purchase. This is based on the "raw land value". The property includes the main house, a guest house and a caretaker's house. The main house is three stories.

Mr. Ream said that ASP is interested in the property now because it is back on the market after a hiatus of ten years. The price and appraisal are at last close. The owner has parceled the property into three sections, one of which is the frontage road on the highway. It would be especially detrimental to the Arboretum if the frontage sold for retail development. The property is an in-holding surrounded by the Arboretum, and another 30 acres belonging to the UofA. This would result in an additional 60 contiguous acres rather than only the 32.09 acres for the property. The owners are currently providing tours of the house to the public for approximately \$10/per person a few days a week in the off-season. The tours would likely continue. Some ideas have been brainstormed for food service, retail and overnight stays on the acreage, however there are no firm plans currently. Mr. Ream noted that the Arboretum enjoys 65,000 visitors annually and the current operating budget is \$1.7 million with revenue of \$1.1 million. The Arboretum is therefore subsidized in the amount of \$600,000 annually.

Mr. Ream noted that at the March 17 HPAC meeting the committee had asked whether ASP would be able to include their usual \$150,000 annual set-aside in the \$700,000 being requested rather than making the set-aside additional. He said that the set-aside would be included in the \$700,000 total to ASP.

Chair Thorne then opened the discussion to members. Ms. Bariola asked about the parceling of the property into three parcels. She said that the Pinal County records show that there is only one parcel legally recorded. Mr. Warriner, the acquisition manager for ASP, said that his understanding is that there are three parcels, which could be sold together or separately. Chair Thorne asked if these were legal separations. Mr. Warriner said that the current owners had done a survey of the property splitting it into three parcels, which had been assigned separate parcel numbers by the Pinal County Assessor's Office. Ms. Nesser noted that she had researched the property on the Pinal County Assessor's website and that there is a single parcel listed at 32.9 acres. Mr. Warriner noted that the owners represented the division as having happened and that he has seen the base survey, though he has not seen the "breakout" from Pinal County. Ms. Bariola noted that the legal descriptions may be broken out as parts of a single parcel. She did say that this was a small technicality.

Mr. Nucci asked Mr. Collins if the property would be eligible for acquisition under the rules of the Historic Preservation Heritage Fund (HPHF) grant program. Mr. Collins said that it was eligible for a National Register Nomination, which meets the rules.

Chair Thorne said that he would like to divide the discussion into two parts; the first being the property/house and the second being the financial section.

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Mr. Ebner asked if there had been a business plan developed for the property. Mr. Ream said that there was no business for the property. There is however a strategic plan for the Arboretum itself. Mr. Ebner said that he was unsure how the acquisition could make sense without a business plan for running the business of the property. He says that upgrading the electrical connections in the RV Park portion of the property alone would be very expensive. Adding to that routine maintenance and the work necessary to make the interior historic once again, and the costs keep mounting. In a time of budget cutting on the part of the state, counties and municipalities, he does not see this as a reasonable acquisition. The business plan seems to be necessary to ensure that expenses will be met. Mr. Ream said that BTI has pledged to pay for the maintenance and upkeep as well as to do a building condition assessment on the house. While there is no written business plan, the tours will likely continue. ASP continues to work on its capital budget which will include financial plans for the Arboretum and the Picket Post House property.

Chair Thorne asked about the frontage on Highway 60, as far growth in Superior and how these factors are driving the purchase. Mr. Ream responded that Highway 60 is being moved to bypass the Arboretum and closer to the railroad line. It will move outside the park property, essentially leaving the entire property at a dead-end on the old Highway 60. Mr. Nucci noted that the potential value of the property as highway frontage would be diminished by such a move, however there will continue to be a need for residential property, according to the appraisal. Further discussion on the residential growth in that area followed.

Chair Thorne said that the value of the property and its potential to produce revenue could be impacted by the “abandonment” of Highway 60 as it moves. Mr. Ream said that the Arboretum could continue to grow with the addition of the property. Mr. Ream said that there is no written plan for what to do with the 32.9 acres that would be acquired, however the first step in any case would be acquire the property so that it is under state control.

Ms. Bariola said that she feels this acquisition is going to happen in any case. She feels that bringing up developers is far-fetched given the situation currently in Pinal County. She feels that the acquisition would complete the Arboretum, and that is a good reason to go ahead. She did ask for the “comparables” however as the appraisal shows, there are no comparables in the area especially as far as historic properties. The amount of the appraisal is, as far as historic properties, simply a matter of the appraiser’s educated opinion.

Chair Thorne also noted making this acquisition could set an unfortunate precedent for future ASP acquisitions. Mr. Ream said that the ASP Board continues to question the purchase of historic properties in Arizona. Historic properties are expensive to stabilize, restore and maintain. Historic property acquisition is a hard sell to the ASP Board. Chair Thorne then asked Mr. Ream whether the acquisition makes business sense for ASP to purchase this property when the Arboretum as it is receives a necessary subsidy of \$600,000 to continue operating. Using the HPHF moneys for the next two years to subsidize this acquisition makes little sense. Further discussion on the economic factors of this acquisition, including restoration, followed.

Chair Thorne asked for information that would help him reconcile this purchase with the mission of HPAC and historic preservation in the state, and HPAC’s responsibility to future applicants under the HPHF grant program. He mentioned the current success of historic preservation in Arizona using the grant funds, and that the program is still growing. He said that using the grant funds responsibly requires holding this acquisition to the same standards as any grant applicant, and this proposal does not meet those standards, especially in regard to planning, community benefit and education.

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Mr. Ream noted that there are currently 65,000 people visiting the Arboretum annually, and that visitation level is expected to continue. The Arboretum is a successful park considering that only Kartchner Caverns State Park and Lake Havasu State Park turn a profit. There is little return on capital investment in ASP. The historic parks are expensive to maintain and may never become self-sustaining. Chair Thorne noted that he wants to ensure that this is wise stewardship of HPHF money, and to determine whether this acquisition might in the future become profitable. Mr. Ream said it may never make a profit, but with some of the adaptive re-use ideas (such as a restaurant) it may in the future.

Chair Thorne asked if there were a timeline for the acquisition, such as a transition of ownership plan. Would the house continue to function as it does now, to maintain the visitation levels? Mr. Ream described the ASP staff and volunteers currently at the Arboretum and how some of the volunteer currently involved in "plant tours" might welcome the opportunity to conduct tours of the house. There may a slight lull in operations during the summer, and the current owners of the Picket Post House may take several months to move.

Mr. Ream then went on to say that he feels ASP has been accommodating to the wish of HPAC that the entire purchase not be made from HPHF money. This acquisition and in particular the house could become a showcase property for ASP.

Chair Thorne asked how AORCC arrived at their decision. Mr. Ream noted that AORCC had met on March 20, 2008 and discussed some of the same issues as HPAC has. They then approved using \$700,000 each year for two years for this acquisition from the Local, Regional and State Parks (LRSP) Heritage Fund money. Further discussion of the set-aside and its effect on HPAC's proposed contribution to this acquisition followed. Mr. Ream noted that there is no set-aside from the LRSP fund. He then introduced Mark Siegwarth, the Chief Financial Officer for ASP, to discuss the finances involved in the acquisition. Mr. Siegwarth noted that statutorily, the LRSP contribution is limited to \$700,000 (20% of the available money) annually. This would leave the LRSP grant program will approximately \$2.8 million to award during the grant cycle.

Mr. Nucci asked about a similar cap/limit/protection on HPHF. Mr. Siegwarth said that he was not aware of any limit. Ms. Pulsifer noted that HPAC has instituted a \$150,000 per project cap for the grant program. Mr. Nucci said that by approving this \$700,000 for ASP, that would be tantamount to waiving the per project cap adopted by HPAC. That would again set a precedent for the grant program. He continued to say that these dollars are stretched to the limit because the Heritage Fund has not been inflation-adjusted for twenty years as it is.

Chair Thorne asked about the property purchase price. Mr. Ream said that a purchase price has yet to be negotiated, however the Rose Family is asking \$3,000,000 for the property. The fact that the purchase must be done over a twelve-month period adds an additional "wrinkle", in the cost to finance or lease, or purchase an option on the property. Chair Thorne asked about due diligence on the purchase. Mr. Ream said that he anticipates approximately \$20,000 for the due diligence. Mr. Ream also noted that because ASP is a public entity, that makes it difficult to negotiate without "tipping the hand". He did say that there is no other interest in the property for its historic value. Following further discussion of the due diligence and the final amount to be paid, Chair Thorne asked if the HPHF contribution would be reduced if the final purchase price were lower. Mr. Ream said that he would be happy to return funds to LRSP and HPHF in that case. However, he feels that the current owners are likely adamant on their asking price. Chair Thorne asked if there had been any other offers made. Mr. Ream said that he would like to have the funding to purchase available before he sits in any negotiation. He also noted that the deal may yet fall

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through for any number of reasons. Further discussion of negotiation strategies followed. Mr. Ream noted that his primary focus today with HPAC was to obtain support for the purchase when he presents the proposal to the ASP Board on April 4, 2008. Chair Thorne noted that HPAC is somewhat alarmed by the asking price number, and the effect this acquisition will have on the HPHF grant program.

Ms. Bariola said that Staff has already held workshops on the HPHF grant process, and wonders when the \$700,000 would be taken out of the HPHF disbursement. She wondered whether two grant cycles would still be feasible. Mr. Ream noted that when FY08 becomes FY09 on July 1, 2008, the \$700,000 (which has already been set aside by the ASP Board) would become available for the acquisition. Mr. Siegwarth said that at this point, the Heritage Fund has accrued \$9.4 million and other payments will be made up until June 30, 2008.

Ms. Bariola said that workshop attendees are writing grant applications now for the cycle that comes due May 31, 2008. She asked what amount would be left for grants. Ms. Pulsifer said that those grants would not be awarded until September 2008, when the entire available amount for HPHF would be available. Mr. Ream said that would be approximately \$900,000. Ms. Pulsifer noted that if the current division of 2/3-1/3 continued that would be \$600,000 for the first cycle and \$300,000 for the second cycle. If HPAC decided to shift the division to half-and-half, the amounts would adjust accordingly. Chair Thorne asked what would be available if there were a single grant cycle. Ms. Pulsifer said it would be \$900,000 for the entire year. Ms. Bariola noted that \$900,000 would be insufficient to maintain the program at its current level of success, which is why she asked. At the current cap of \$150,000 per project, HPAC could only award a small number of projects.

Mr. Nucci asked whether other partnerships to this acquisition had been deeply explored. The University of Arizona (UofA) and BTI may be available to fund-raise. Have there been any other partnerships explored. Mr. Ream said that the emphasis has been on this being an ASP purchase, and having partners raise funds for restoration and stabilization. There is the ASP Foundation that does do a small amount of fund raising but that is a relatively new endeavor. Chair Thorne asked if there is any financial benefit to UofA and/or BTI having the Picket Post House purchased by ASP. Mr. Ream said that the \$600,000 subsidy of the Arboretum pays for the UofA horticulturists working on the property and a few other items.

Ms. Pulsifer asked about the ASP Board set aside of \$700,000 and whether that was part of the FY09 budget. Mr. Siegwarth said that \$700,000 was from the FY08 funding. Chair Thorne asked about how the \$700,000 was arrived at. Mr. Ream said that it was based on a 20% cap from any one entity over 4 years. However, with the addition of the LRSP contribution, this was able to reduce the purchase time to 2 years. Further discussion followed on the scenario spreadsheet provided by Ms. Pulsifer in the agenda packet. Mr. Ream said that if HPAC does not approve the \$700,000 he would have to look at other sources within the ASP budget to make up the "shortfall". However, this financial "shuffling" has extraordinary limits.

Chair Thorne asked if the ASP purchase offer could be reduced to allow for a smaller contribution from HPHF. Mr. Ream replied that everything is negotiable, however ASP has already figured the \$150,000 set-aside into the \$700,000 requested of the HPHF. At this rate, because the expenses of other historic parks do not disappear, those funds will have to come out of another "pot". Chair Thorne says that without formal negotiations he is reluctant to consider these figures as firm.

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Ms. Bariola asked about whether the other historic parks would be neglected without the set-aside. Mr. Ream said that some projects within those parks would be deferred, however major repairs would of course be taken care of in a timely way. Ms. Bariola noted that Staff was asked to prepare the scenario spreadsheet because of the deleterious effect on the program by the Spur Cross purchase some years ago. She feels that there will be no end to ASP asking for these sorts of contributions in the future. Mr. Ream said that there is no guarantee that the HPHF will receive funding if the Legislature “sweeps” the funds. That is particularly likely in a year of budgetary crises.

Chair Thorne noted that this budgetary problem helps to point out the issues around maintenance and management. Applicants to the grant program are required to do the planning and due diligence and provide tangible records showing that those efforts have occurred. This proposal on the other hand contains a number of intangibles, including the final purchase price of the property. Chair Thorne asked that ASP make an offer on the property and see how the negotiations develop. Mr. Ream said that the level of HPAC’s support is part of what drives the negotiations. He cannot negotiate without having the purchase funds available.

Mr. Siegwarth then said that finding other funds would require the use of ASP enhancement funds, which require the approval of the Legislature to divert. The HPHF is not an over-subscribed program as the LRSP program is over-subscribed. However, there are efforts underway to increase the amount of money ASP receives overall from the Heritage Fund.

Mr. Ebner noted that he feels the loss of funding through the Legislature may be more likely with this continuation of purchase and deferment. He said that he is uncomfortable with approving this proposal with the number of issues that have been raised. Mr. Siegwarth noted that there is a lot of work being done with BTI to develop funds for maintenance. There is also work being done with the Arboretum itself to develop a fund-raising arm. Mr. Ebner replied that he is not against the purchase per se, he would simply like to see a business plan or some other tangible demonstration of the actual purchase and maintenance costs.

Chair Thorne asked about whether there was a master plan driving the Arboretum. Mr. Siegwarth explained how the tripartite agreement works currently. Chair Thorne asked if there was a master plan for the tripartite agreement arrangements. Mr. Siegwarth said that the master plan depends on whether the Picket Post House is acquired.

Chair Thorne said that he would like to see a definite cost number to agree on. Several committee members expressed opinions regarding their discomfort with the proposal, including the \$700,000 already set aside by the ASP Board. Ms. Bariola proposed approving the request made by ASP, and limiting HPHF to one single grant cycle this year. Mr. Ebner suggested capping the purchase price before the negotiations.

Mr. Nucci asked whether this purchase would cause a “run” on acquisitions. He proposed HPAC consider a number reflecting the 20% cap per project as the LRSP program has, which would be \$340,000 and include the \$150,000 ASP set-aside for a total of \$490,000 for three years. That would allow ASP to receive \$1.47 million rather than the \$1.4 they are asking for over two years. This would provide options for the purchase negotiations and allow the grant program to continue with fewer “disturbances”. This would not include the approved contribution from LRSP. He would also like to see a future agenda item to discuss adopting the 20% per project cap on a permanent basis. Mr. Ebner said that a lease/purchase option for a year would allow for more extensive planning on the feasibility of this purchase. It would also allow for developing partnerships.

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Chair Thorne asked when Mr. Ream would be taking this matter to the ASP Board. Mr. Ream said that the next ASP Board meeting is Friday, April 4, 2008 and he would be speaking to the Board on this matter, probably in Executive Session, at that meeting. Further discussion on the history of how this property came to ASP with this purchase price followed. Mr. Ream noted that however HPAC arrives at a contribution amount, he will be able to say that HPAC supports when he makes the ASP Board presentation.

Chair Thorne then noted that there were several schools of thought within HPAC about how to go forward. Mr. Nucci says that over three years, including the LRSP contribution, there would be approximately \$4 million dollars available to ASP.

Chair Thorne asked Staff whether they had recommendations regarding capping the funding for this acquisition. Ms. Strang said that there had been three workshops held for the May 31 grant deadline. Those workshops were attended by 60 people; for all of last year there were 98 people at workshops for both grant cycles. Many of the attendees at the current workshops felt they had planned their projects insufficiently to write a successful application, and would apply during the second cycle. She has also had approximately ten phone calls from people who would like to attend the workshops for the second cycle.

Chair Thorne asked Ms. Bariola whether she was comfortable with funding the acquisition over a shorter amount of time, or whether extending the purchase through three years with the cap would be advisable. Ms. Bariola said she felt it was a double-edged sword no matter which way. Her goal is to maintain the integrity of the HPHF to maintain and restore the maximum number of historic properties in Arizona. The general public may be discouraged if the funds are not available over a longer period of time.

Ms. Pulsifer said that with the three-year extension, that would cause less money available for the purchase of the Picket Post House and more for grants, but the longer the program is affected there will be no savings due to inflation and other economic factors. She would prefer to see the contribution go for a two-year period alone.

Chair Thorne said that he would be more comfortable if some of the negotiations would take place prior to HPAC making a definite acceptance. Mr. Nucci said that that strategy may backfire, and the challenge would be on Mr. Ream to rearrange his budget. He would rather HPAC focus on what the HPHF can afford.

Ms. Pulsifer noted that it would be advisable to include the \$150,000 (or not) in any motion made. Chair Thorne then polled the membership prior to crafting a motion on the issue of funding for two years, for which there was unanimous agreement. Further discussion on the strategy followed.

Chair Thorne asked about the amount of carry-over between grant cycles this year. Ms. Strang said that there had been a carry-over of \$188,819 for the second cycle of 2007. Chair Thorne said that the carry-over would make a difference when the bar changes with this proposal.

Ms. Bariola made a test motion. She moved to recommend giving for the Picket Post House purchase \$700,000 per year for two years, including the \$150,000 set-aside and continue the \$100,000 set-aside for SHPO, leaving \$900,000 for the HPHF grant program. If there was a minimum of \$150,000 carry over between cycles, those funds would be given to ASP for the maintenance of historic parks, and that the \$900,000 be awarded in a single cycle while

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maintaining the current \$150,000 cap per project. There was no second for this motion, which was then withdrawn.

Chair Thorne asked that further motion include figures.

Mr. Nucci moved support for the acquisition of Picket Post House with HPHF money not to exceed \$490,000, including the current set-aside of \$150,000 per year for the next two years. There was no second for this motion, which was then withdrawn.

Ms. Bariola suggested that, without making a motion, that HPAC approve the \$700,000 for the next two years, including the \$150,000 annual set-aside leaving \$900,000 for grants plus any carryover to go into grants, and having one grant cycle per year for two years. Mr. Nucci suggested that the issue of cycles not be addressed at this time. Chair Thorne also noted that the issue of carry-over funds should not be addressed either. Ms. Bariola said that the current proposal from ASP should be approved and that would not affect the negotiations with the Rose family. Further discussion of the financial numbers followed. Mr. Siegwarth reiterated that there was little to no chance that the Legislature would approve this purchase coming from any other fund, so that if the purchase were to happen it would have to come from the Heritage Fund. The LRSP is funded to \$3.5 million annually from the Heritage Fund. Their 20% cap per project is statutory.

Ms. Bariola noted that the first time this was brought to HPAC, the discussion revolved around having the impact spread out rather than completely taken from the HPHF. Mr. Ream arranged for the impact to the HPHF to be approximately half what was originally discussed. She would prefer that the discussion end and a motion be made. All that HPAC can do is make a recommendation to the ASP Board.

Chair Thorne said that there is no disagreement on the purchase itself, other than the intangibles around the actual purchase cost. HPAC today should arrive at a number to go to the Rose family in negotiations.

Mr. Nucci said that the 20% cap would be a change that could be something HPAC could stand behind for the future, which is critical. Mr. Nucci moved support for the acquisition of Picket Post House by ASP with HPHF money not to exceed \$490,000, including the current set-aside of \$150,000 per year for the next two years. Ms. Nesser seconded the motion. The motion passed with 4 ayes and 1 nay.

### **D. CALL TO THE PUBLIC**

None

### **E. SUMMARY OF CURRENT EVENTS, MATTERS OF BOARD PROCEDURE, REQUESTS AND ITEMS FOR FUTURE AGENDAS**

Discuss grant cycle and the current split of 2/3 – 1/3; discuss 20% per project cap based on \$1.7million disbursement; update on current status of Picket Post House proposal.

### **F. TIME AND PLACE OF NEXT MEETING**

June 16, 2008 - Peoria

### **G. ADJOURNMENT**

Chair Thorne adjourned the meeting at 12:45pm.